

## Message Text

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ORIGIN CEA-01

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FM SECSTATE WASHDC  
TO AMEMBASSY TOKYO

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E.O. 11652: GDS

TAGS: ECON, ETRD, EFIN, OECD

SUBJECT: CHAIRMAN SCHULTZE'S VISIT, APRIL 11-15

REFS: A) STATE 43408; B) TOKYO 2602

1. AT RECENT EPC MEETING IN PARIS CEA SENIOR STAFF ECONOMIST SHAFER DISCUSSED PLANNED CEA VISIT TO EPA APRIL 13-14 WITH EPA DEPUTY DIRECTOR-GENERAL S. TANAKA. TANAKA EXPRESSED URGENT NEED TO SET AGENDA SO THAT PREPARATIONS COULD BE MADE. SUBSEQUENT CONVERSATION WAS HELD IN WASHINGTON BETWEEN SHAFER AND K. UNNO OF EPA AND MIYAMOTO OF JAPANESE EMBASSY. IN LIGHT OF THESE CONVERSATIONS, EMBASSY IS REQUESTED TO APPROACH EPA AND OBTAIN AGREEMENT TO AGENDA ALONG FOLLOWING LINES.

2. FIRST DAY OF MEETING WOULD BE DEVOTED TO AN EXCHANGE  
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ON CURRENT DEVELOPMENTS, THE ECONOMIC OUTLOOK, AND POLICIES IN THE JAPANESE AND US ECONOMIES AND A DISCUSSION OF CURRENT GLOBAL MACROECONOMIC PROBLEMS (GROWTH, PAYMENTS IMBALANCES, EXCHANGE RATE INSTABILITY AND INFLATION.) CEA NOTES EPA DESIRE THAT US INFLATION OUTLOOK AND COUNTER-INFLATIONARY POLICY BE GIVEN SPECIAL ATTENTION IN DISCUSSION OF US POLICY. CURRENT ACCOUNT

PROSPECTS AND MEASURES TO ASSURE THAT GROWTH TARGET IS

ACHIEVED IN JAPAN ARE OF PARTICULAR INTEREST TO CEA. DISCUSSION MIGHT BE MOST USEFULLY DIVIDED INTO THREE SESSIONS: 1) THE JAPANESE ECONOMY; 2) THE US ECONOMY; AND 3) THE WORLD ECONOMY. SCHULTZE, NORDHAUS, AND SHAFER WOULD ALL PARTICIPATE IN THESE SESSIONS. ON THE SECOND DAY WE ANTICIPATE THAT CHAIRMAN SCHULTZE WILL BE MAINLY OCCUPIED BY MEETINGS WITH JAPANESE OFFICIALS OUTSIDE EAP. HE WOULD MOST WELCOME THE OPPORTUNITY TO MEET WITH THE PRIME MINISTER. APPOINTMENTS WITH SENIOR OFFICIALS IN FIN MIN, MOFA, AND MITI SHOULD BE ARRANGED AS WELL. NORDHAUS AND SHAFER WOULD PLAN TO SPEND A GOOD PART OF THE SECOND DAY IN MEETING WITH EPA. HOWEVER, THEY WOULD LIKE TO HAVE SUFFICIENT FLEXIBILITY IN THE SCHEDULE SO THAT EITHER NORDHAUS OR BOTH COULD ACCOMPANY SCHULTZE IN CERTAIN MEETINGS.

3. THE FOLLOWING TOPICS FOR DISCUSSION ON THE SECOND DAY WOULD CONSTITUTE A SATISFACTORY AGENDA FROM CEA'S POINT OF VIEW. AGAIN, THE FORMAT SHOULD ALLOW FOR COMMENTS AND QUESTIONS.

A. THE EFFECTS OF EXCHANGE RATE CHANGES ON THE DOMESTIC JAPANESE ECONOMY (INVESTMENT, CONSUMPTION, WAGES, PROFITS AND TOTAL OUTPUT) AND ON THE CURRENT BALANCE  
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(EXPORTS AND IMPORT PRICES AND VOLUMES, AND INVISIBLE TRADE). CEA IS PARTICULARLY INTERESTED IN LEARNING EPA VIEWS ON PRICE ELASTICITIES, PRICE MARKUP AND INVESTMENT RESPONSES OF FIRMS, LAGS, AND CHANNELS THROUGH WHICH EXCHANGE RATE CHANGES AFFECT TOTAL DEMAND AND THE FOREIGN BALANCE.

B. THE WORLD ENERGY OUTLOOK AND ENERGY POLICIES AND PROSPECTS IN THE TWO COUNTRIES.

C. POTENTIAL OUTPUT, INVESTMENT BEHAVIOR, AND MEDIUM TERM GROWTH PROSPECTS FOR THE TWO ECONOMIES. CEA IS PARTICULARLY INTERESTED IN LEARNING ABOUT EPA ANALYSIS OF POTENTIAL OUTPUT IN JAPAN, AND MEDIUM TERM GROWTH PROJECTIONS FOR IT. IN THIS CONNECTION EXPECTED LEVELS OF INVESTMENT AND THE CONTRIBUTION OF INVESTMENT TO GROWTH ARE OF PARTICULAR INTEREST.

D. THE DETERMINANTS OF INVENTORIES IN JAPAN (FYI -- TANAKA SEEMED PARTICULARLY INTERESTED IN DISCUSSING THIS SUBJECT AS CONSIDERABLE WORK ON THIS IS NOW GOING ON IN EPA; CEA INTEREST IS OUT OF POLITNESS -- END FYI)

4. THE FIRST AND FOURTH TOPICS MIGHT BE LED OFF BY AN INTRODUCTORY PRESENTATION BY EPA. THIS WOULD BE FOLLOWED BY QUESTIONS AND BROADER DISCUSSION. NORDHAUS COULD INTRODUCE THE SECOND TOPIC AND THE THIRD TOPIC COULD BE INTRODUCED BY SHORT PRESENTATIONS BY BOTH EPA AND CEA.

5. EMBASSY IS REQUESTED TO DISCUSS THESE PROPOSALS WITH EPA OFFICIALS IN ORDER TO SETTLE AGENDA AND ALLOW TIME FOR PREPARATION. WE WOULD HOPE THAT THEY COULD BE STRUCTURED IN SUCH A WAY AS TO MAXIMIZE FRANK EXCHANGE WITH AMPLE ALLOWANCE FOR QUESTIONS AND RESPONSES.

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EMBASSY IS FURTHER REQUESTED TO MAKE ARRANGEMENTS FOR APPOINTMENTS WITH SENIOR OFFICIALS FOR CHAIRMAN SCHULTZE. PLEASE REPORT EPA COMMENTS AND SUGGESTIONS AND PROPOSED SCHEDULE FOR CHAIRMAN SCHULTZE.

6. CEA PARTY WOULD LIKE EMBASSY TO MAKE RESERVATIONS AT OKURA HOTEL. PARTY PLANS TO LEAVE WASHINGTON AT 0945, APRIL 10 ON NW3 ARRIVING AT TOKYO AT 1735 ON APRIL 11. WILL DEPART TOKYO ON NW4 ON APRIL 15 AT 1545. WOULD APPRECIATE CONFIRMATION OF HOTEL RESERVATIONS, ASSIGNMENT OF EMBASSY CONTROL OFFICER, AND INFORMATION ON ARRANGEMENTS FOR PARTY TO TRAVEL FROM NARITA AIRPORT TO TOKYO. WOULD YOU SUGGEST THAT PARTY OVERNIGHT NEAR NARITA AND COME INTO TOKYO THE FOLLOWING DAY?

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## Message Attributes

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